

1099 Responsibilities

[illegible]☐ CORRECTED (if checked)

1	Rentals	
		\$12,000.00
2	Royalties	

OMB No. 1545-0115

2003

Miscellaneous
Income

PAYER'S Federal
71-0847443

RECIPIENT'S identification number	492-67-8844
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3 Other Income	\$625.00
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[illegible]

BUFORD T.
DBA RED N
SAWBONE'S
1 SMOKEY
PODUNK, A

Account number	RACING CO
15	

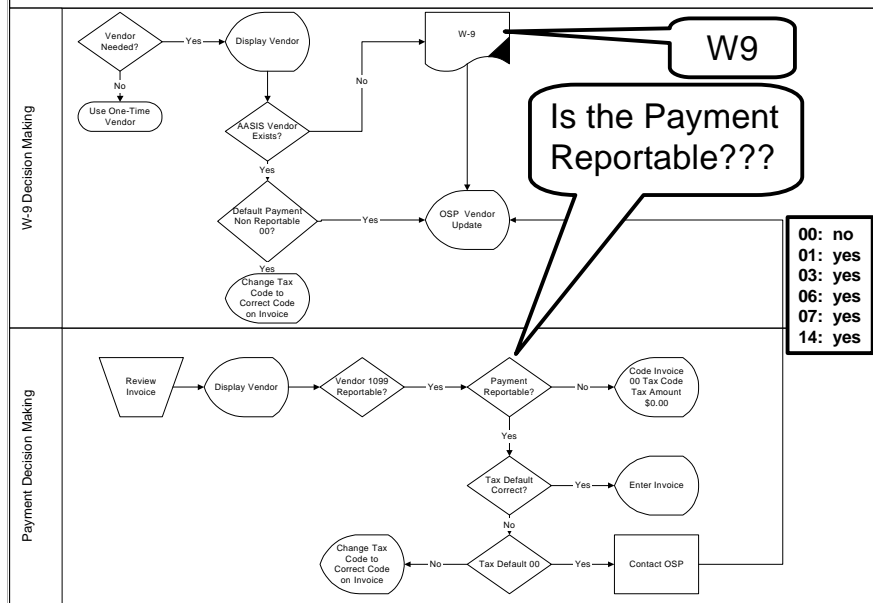
Form 1099-M

1099-Misc.
Amounts shown if:
If your net income
SE tax on Schedule
If no income or so
partners, Ss, and
-Individuals must
on the p
Boxes 1 and 2. If
significant service
business, report o
Pub. 544, Sales a
Box 3. Generally,
The amount show
awards, taxable d
income, report th
Box 4. Shows bac
must backup with
See Form W-9, R
Report this amou
Box 5. An amount
Report this amou
for Commercial E

- The Agency is responsible for the accuracy of its own reportable vendor payments
- Department of Finance Administration is responsible for consolidating agency reportable vendor/vendor payments by Tax ID, mailing, correcting, and filing 1099s with the IRS.

Page 1 of 1

1099 Decision Making Process



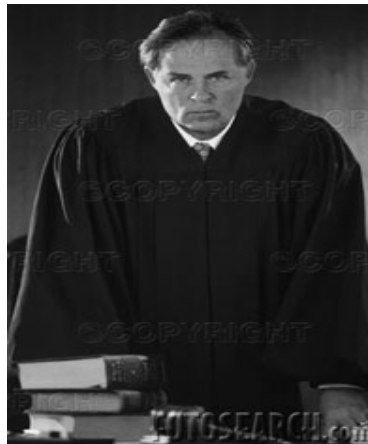
Examples of Who is Reportable



- Individuals
- Sole Proprietor
- Partnerships
- Professional Associations
- Corporations for Medical Payments and Attorney Fees Only

Examples of What is Reportable

- Services
- Services commingled with goods
- Medical Payments
- Prizes and Awards
- Lawsuit Settlements
- Attorney Fees
- Board and Commission Member Stipends
- Rent and Leases of property paid to directly to the owner



Examples of Who is Not Reportable

- Corporations except for Medical Payments and Attorney Fees
- Governmental Entities
- School Districts
- Colleges and Universities
- Foreign Vendors
- Non Profit Organizations
- Employees
- One-time Vendors



Examples of What is Not Reportable

- Goods or Goods/Services
where the Services are incidental to the purchase
- Reimbursements of Expenses
- Rent and Leases paid to other than the owner of the property
- Loans and Advances that are required to be repaid

Block 1 - Rent

- ❖ Includes rent and leases of property paid directly to the owner.



Block 3 – Other Income

- Prizes and Awards
- Lawsuits paid to other than Attorneys



Box 6

Medical and Health Care Payments

- Medical and Health Care Services
- Corporations are not exempt
- Pharmacies should not be included (You are buying goods, not services)



Box 7 – Non Employee Compensation

- Architects Fees
- Attorney Fees
- Board and
Commission Member
Stipends
- Cleaning Services
- Consultants
- Daycare



Box 7 – Non Employee Compensation Continued

- Lawn Service
- Maintenance and Repair where the part is incidental
- Witness Fees
- Other Contract Labor



Box 14 – Gross Proceeds Paid to Attorneys

- An attorney receives monies on behalf of a client, usually from a law suit settlement or through a Benefit Vendor Payment in processing Payroll
- It is unknown how much the client will receive and how much he will retain

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- The IRS regulations require us to report the aforementioned payments if the consolidated amount by Tax Id is \$600 or greater
- We do not mail or report 1099s under this limit

1099 Process

- The State is required to issue 1099s for its agencies that use the Statewide Tax Id
- The Reportable Vendors/Payments made must be rolled up Statewide by the recipient's tax id or social security number.

1099 Process Continued

❖ This requires a specialized process that accepts 1099 data from all sources, both on and off the records of the State of Arkansas



FINES AND PENALTIES



- The State of Arkansas is no longer exempt from IRS fines and Penalties.
- IRS Fines and Penalties resulting from Agency errors will be charged to that Agency.

BUFORD T JUSTICE MD, PA
DBA RED NECK ENTERPRISES
SAWBONE'S REGIONAL MEDICAL PLAZA
1 SMOKEY LANE DRIVE
PODUNK, AR 72116

PAYER'S name, street address, city, state, ZIP code, and telephone no.		CORRECTED (if checked)		OMB No. 1545-0115		Miscellaneous Income
STATE OF ARKANSAS P.O. BOX 6229 LITTLE ROCK AR 72203 1-800-714-9066		1	Rents \$12,000.00	2003 Form 1099-MISC		
		2	Royalties			
PAYER'S Federal identification number 17-0847443		3	Other Income \$625.00	4 Federal income tax withheld		
RECIPIENT'S name, street address, city, state, and ZIP code		5	Fishing boat proceeds	6 Medical and health care payments \$120,000.00		
BUPORD T. JUSTICE MD, PA 1000 N. HIGHWAY 101 SAVANNEH REGIONAL MEDICAL PLAZA PO BOX 1000 POUNCEY, AR 72116		7	Nonemployee compensation \$1,200.00	8 Substantia payments in form of dividends or interest		
		8	Payee check direct sales of \$5,000 or more of consumer (recipient) for resale	10 Crop insurance proceeds		
		11		12		
Additional number RACING COMMISSION		13	Excess group-terminable interests	14 Gross proceeds paid to an attorney \$15,000.00		
1a		16	State tax withheld \$0.00	17 State Payer's state no. AR 710847443		
Form 1099-MISC				Department of the Treasury - Internal Revenue Service		

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1099 TEST

Based on the W-9, the 1099 and this class, you can make some assumptions about why money is being reported by each box. Please list the possibilities.

Box 1 Rents

Box 3 Other Income

Box 7 Non employee Compensation

Box 6 Medical and health care payments

Box 14 Gross proceeds paid to an attorney

Answers

Box 1 Renting Office Space to the State, possibly to DHS or Health Department or to a Board or Commission in which he is a member

Box 3 RACING COMMISSION in the account number indicates that he gets prizes and awards from horse racing. If a 6-digit number were there, it would indicate a board or commission member. If a 9-digit number were entered, this would be a normal vendor. We are only allowed one account number per 1099 by the IRS

Box 7 MD indicates is a doctor and PA indicates a practicing attorney, but the money is charged to box 7. Therefore, he must be a board or commission member receiving a monthly stipends or is receiving money for legal services

Box 6 MD indicates a medical doctor and therefore payments for his services are categorized as medical

Box 14 As an attorney, he won a lost suit against the State but the court order was not specific as to the split of the money between the lawyer and the plaintiff.